

CIAOER RP 75-10
Com. Aid and Trade Activities in Less Dev. Coun., Feb 1975

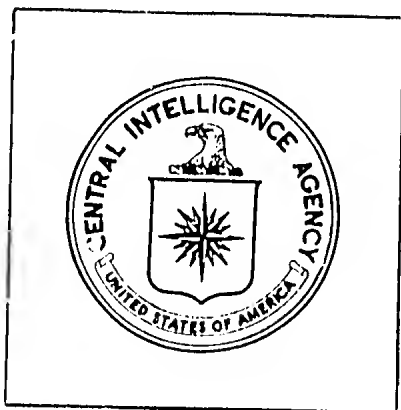
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*Communist Aid and Trade Activities
in Less Developed Countries, February 1975*

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COMMUNIST AID AND TRADE ACTIVITIES
IN LESS DEVELOPED COUNTRIES

February 1975

General

PRC Looks to the Third World for Oil Technology

Peking reportedly plans to acquire Western oil technology from several Latin American countries. During January a high-level Chinese oil delegation, led by the Vice Minister of the Fuel and Chemical Industry, visited Venezuela, Mexico, and Trinidad and Tobago to discuss the exchange of oil industry technicians, particularly in offshore oil exploration and development. Peking undoubtedly hopes to secure additional technology to support petroleum production, processing, and marketing plans. China's oil exports in 1974 jumped to 122,000 barrels per day (b/d) from 40,000 b/d in 1973. This represented hard currency earnings of \$420 million, up from \$36 million in 1973. These earnings have helped to offset the impact of shrinking world markets for traditional Chinese exports and rising prices for imported machinery and equipment. (Secret No Foreign Dissem)

Africa

First Chinese Credit to Gambia

On 2 February, China signed an agreement to provide approximately \$16.5 million in aid to Gambia. The loan, the first from a Communist country, is to be repaid over 15 years after a 15-year grace period. (Secret No Foreign Dissem)

A Chinese team arrived in Gambia to study agricultural aid requirements shortly after the two countries established relations in mid-December. Gambia has requested Chinese assistance in rice and sugar production and processing. Peking reportedly also will construct a hospital outside Banjul. Other possible projects include irrigation works, dams, roadbuilding, river transport, and a sports stadium. (Secret No Foreign Dissem)

Note: The substance of this publication has been coordinated with the Bureau of Intelligence and Research of the Department of State, with the Defense Intelligence Agency, and with the Agency for International Development. Comments and queries regarding this publication are welcomed. They may be directed to [REDACTED] of the Office of Economic Research, Code 143, Extension 5291.

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Uganda Receives First MIG-21s

In January, at least 10 crated Soviet MIG-21 aircraft arrived at the Kenyan port of Mombasa for transshipment to Uganda. The aircraft were ordered under a military agreement concluded early last year and are the first supersonic aircraft in Uganda's inventory. (Secret No Foreign Dissem)

East Asia

Philippine Plans To Increase Trade with China

Philippine officials view expansion of foreign trade with the Peoples Republic of China as the most important *quid pro quo* of their initiative to establish formal relations with Peking. They believe that Peking will be willing to make large concessions in return for acceptance of Peking's position on Taiwan. Manila reportedly intends to incorporate into the treaty of amity, currently being drafted, provisions on long-term sales of copper, coconut oil, and wood. Manila also wants to include provisions on continued preferential treatment for Chinese crude oil sales to the Philippines. In November, Peking sold 1.8 million barrels of crude to the Philippines at \$7.50 a barrel, well below the \$12.80 November price for Chinese crude. The Chinese-Philippine trade relationship would be further defined in a trade agreement to be concluded after diplomatic relations are established. (Secret No Foreign Dissem)

Near East and South Asia

USSR Resumes Military Aircraft Deliveries to Egypt

In early February, the USSR resumed fighter aircraft shipments to Egypt, the first since 1973. Soviet freighters delivered [REDACTED] MIG-23 Flogger aircraft 25X1B in early February. These represent the first introduction of the MIG-23 into Egyptian arms inventories. [REDACTED] MIG-23s are expected during the next 25X1B few months. (Secret No Foreign Dissem)

Results of Egyptian Economic Talks in Moscow

The only tangible result of two weeks of Soviet-Egyptian economic discussions in Moscow was the conclusion of a trade protocol for 1975. The \$850 million level agreed to reportedly is about 8% higher than in 1974. (Unclassified)

Economic discussions focused on continuing Soviet participation in the exploitation of the Abu Tartur phosphate deposits and expansion of the Naja Hamadi aluminum complex and of repair facilities at the Alexandria shipyard, as well as construction of cement and other projects with at least \$400 million of outstanding credits. The USSR also agreed to study participation in the proposed 3 million metric ton iron and steel complex at Alexandria. No new Soviet aid was extended for Egypt's prospective 1976-80 development plan. (Unclassified)

Egypt apparently was not able to obtain Soviet agreement to a new rescheduling of its military debt, the highest priority item on Cairo's agenda. (Secret No Foreign Dissem)

High-Level Soviet Military Delegation to India

Soviet Defense Minister Grechko arrived in New Delhi on 24 February for a three-day visit. He is the highest Soviet official to visit India since General Secretary Brezhnev was there in late 1973. (Unclassified)

Grechko was accompanied by the air force and navy chiefs of staff, indicating that a new arms agreement was given high-level attention. Large guided-missile patrol boats, tactical strike aircraft, guided-missile cruisers or destroyers, minesweepers, and antisubmarine warfare aircraft are high on India's shopping list. (Secret No Foreign Dissem)

25X1B

Soviet deliveries in recent months [REDACTED] MIG-21 jet fighters, a Foxtrot-class long-range diesel-powered submarine, and a Petya-class destroyer escort. An additional Foxtrot submarine reportedly is en route to Bombay. Its arrival will complete major Soviet naval deliveries under known contracts. (Secret No Foreign Dissem)

During 1974 the Indians sent several high-level military delegations to Moscow to discuss new purchases of arms. No agreements were reached because of differences over types of equipment to be supplied and repayment terms. (Secret No Foreign Dissem)

USSR and Iran Sign Large Economic Pact

On 25 February, an Iranian economic delegation signed a major economic agreement in Moscow for projects in both Iran and the USSR, whose total cost

may eventually reach \$3 billion. Highlighted is Tehran's agreement in principle to provide credits to the USSR -- a first in Soviet relations with the LDCs -- to build a paper complex in the USSR. (Unclassified)

Tehran would provide credits to the USSR with repayment in output from the plant, as it has done in several Western industrial nations. (Secret No Foreign Dissem)

The USSR will continue work under its current program and will participate in the construction of a number of additional projects in Iran. Expansion of the Isfahan steel mill will continue to dominate the Soviet contribution to Iran's economic development. Now slated to reach an annual capacity of 8 million tons at a total cost of \$1.8 billion, the plant will take years to complete. Moscow already has provided \$500 million in credits to expand the plant's capacity to 1.9 million tons by 1977. Soviet construction beyond that stage probably will be carried out on a commercial basis. Other projects mentioned in the new accord -- expansion of the Soviet-built machine tool plant at Arak, construction of new powerplants and grain silos -- carry a minimum total cost of \$300 million. Most of these are covered by credits extended earlier. (Confidential)

The two sides also agreed to eliminate the gold clause from their payments arrangements. Trade settlements will be based on the average value of a number of Western currencies or Iranian rials. Settlements with most East European nations already are conducted in this manner. Discussions were held on a new long-term Soviet-Iranian trade agreement, still in the draft stage. (Unclassified)

Soviet MIG-23 Deliveries to Iraq

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25X1B

The arrival [REDACTED] MIG-23 jet fighters in late February [REDACTED] the total of these aircraft the USSR has delivered to Iraq this year. Under the provisions of a major arms agreement concluded in 1974, Moscow agreed to supply Iraq with a third MIG-23 squadron. The first two squadrons, [REDACTED] aircraft 25X1B including trainers, arrived during the second half of 1974. Other Soviet arms deliveries to Iraq thus far in 1975 have included two Osa-class guided-missile patrol boats and two Zhuk-class patrol boats. (Secret No Foreign Dissem)

China Signs Largest Aid Agreement with Nepal

China became Nepal's major development aid donor in February with the conclusion of an estimated \$80-\$85 million grant aid agreement to construct a

250-mile highway between Pokhara and Surket. The project, which will require the construction of more than 300 bridges, will take 10 years to complete. (For Official Use Only)

Peking has been an active participant in Nepalese development during the past 20 years. About two-thirds of the \$100 million in previous Chinese grant aid to Nepal has been used. Major projects already completed include a powerplant, three roads, and several light industrial projects. Two other Chinese road projects, a trolley bus system, and a brick and a textile plant are currently under way in Nepal. (For Official Use Only)

China and Sri Lanka Sign Annual Barter Agreement

The annual Sri Lanka-Chinese rice-rubber barter agreement, signed on 4 February, calls for increased exchanges of both commodities. Peking will provide 250,000 tons of rice (roughly one-fourth of Colombo's 1975 grain import requirements) in return for 70,000 tons of sheet rubber. Last year's agreement involved 200,000 tons of rice for 49,000 tons of rubber. As in previous years, Sri Lanka presumably will receive a premium price for rubber and a subsidized price for the rice. (For Official Use Only)

USSR and Romania Assure Syria of Continuing Aid

Soviet Foreign Minister Gromyko and Romanian Prime Minister Manescu visited Syria during late January and early February. Economic accords signed during their respective visits did not contribute new aid. An economic and technical cooperation agreement with the USSR repeats the major points of a similar accord signed during President Asad's Moscow visit in April 1974. Under the agreement, the USSR will continue aid for irrigation, oil exploration, and food industries as well as begin work on a dam on the Kabir River. (Unclassified)

The Romanian agreements emphasized programs in which Bucharest already is active in Syrian development - heavy industry, oil development, and irrigation. Romania also agreed to build a superphosphate plant and to supply handling equipment for the port of Tartus. Manescu's visit dramatized the expansion in Romanian-Syrian economic ties since diplomatic relations were restored in 1972. Romania's pledges of more than \$270 million since late 1972 have made Damascus a major recipient of Romanian economic aid. (Confidential)

Major Soviet Pledge to Sri Lanka

In late January the USSR signed a \$54 million agreement to finance a power and irrigation project in Sri Lanka. The agreement covers the supply of equipment for a dam, a 120,000-kilowatt powerplant, transmission lines, and technical training in the USSR. (For Official Use Only)

Moscow's new credit is its largest to Sri Lanka and brings total Soviet commitments to \$95 million. The USSR presently is conducting oil surveys in the country and is expanding flour and steel plants constructed early in the 1960s with Soviet assistance. Colombo also recently concluded a contract to purchase tractors under a previously unused trade credit. (For Official Use Only)

OTHER ACTIVITIES

Economic

Africa

Algeria. A 1975 Algerian-Polish trade protocol signed on 8 February in Algiers calls for replacement of their barter accounts with a hard currency clearing system. Under the protocol, trade between the two countries is expected to double in 1975 over the 1974 level of \$70 million. (Unclassified)

The Director of the Algerian Institute for Production and Industrial Development conducted a series of talks in Budapest on the supply of telecommunications and gas industry equipment and the design and delivery of small and medium-sized plants. (Unclassified)

Congo. The Congolese prime minister arrived in Peking on 27 February at the invitation of the PRC. (Unclassified)

Guinea-Bissau. The USSR signed an economic and technical cooperation agreement with Guinea-Bissau in late February. The value of credits to be provided under the economic agreement was not announced. (Unclassified)

Libya. Libya and Romania held a session of their joint economic committee in Tripoli in February to discuss progress under economic and trade agreements concluded last year. Four working groups were formed to examine cooperation

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in construction, agriculture, industry, and petroleum. The two sides also announced the establishment of a regular shipping line between ports of the two countries, to begin operation in April. (Unclassified)

Morocco. A Bulgarian delegation to Morocco signed an agricultural agreement as a first step in the development of bilateral cooperation between the two countries. (Unclassified)

Mozambique. Bulgarian and East German missions were in Mozambique during February to study the possibility of providing aid. Meanwhile, Romania has offered credits for 100,000 tons of wheat in 1975, subject to the Portuguese government's agreement to guarantee the loan. At world market prices, the wheat is valued at a minimum of \$12 million. (Confidential)

Latin America

Guyana. The first shipment of materials arrived in Guyana for a brick and tile plant to be constructed by the PRC. (Unclassified)

East Asia

Indonesia. East Germany has offered commercial credits at an interest rate of 6%-10% to finance Indonesian machinery imports. Meanwhile, East Germany announced that it would buy 9,000 tons of rubber directly from Indonesia this year. (Unclassified)

Laos. Bulgaria, East Germany, Hungary, and Romania agreed to provide a total of \$3.3 million worth of commodities to Laos during the Laotian economy minister's recent aid-seeking tour. The assistance probably is being provided as a grant. (Unclassified)

The PRC has agreed to ship textiles, vehicles, food, construction materials, and oil to Laos under the \$7 million commodity portion of the aid agreement signed in October 1974. (For Official Use Only)

Papua New Guinea. The foreign minister of New Guinea visited China for two weeks in February. Peking reportedly agreed to balance trade (imports from China are running at about \$2-\$3 million annually) through purchases of agricultural products and copper concentrates. China also offered to sell petroleum, possibly

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at reduced prices. Papua New Guinea will gain independence from Australia this year. (Confidential)

Singapore. Singapore's foreign minister announced plans to visit China in early March to exchange views on bilateral issues. (Unclassified)

Thailand. North Korea signed its first official trade contract, valued at \$200,000, with Thailand in February. (Unclassified)

Near East and South Asia

General. The Romanian government announced that President Ceausescu will visit Jordan and Kuwait in April to discuss expanding economic relations with the two countries. This visit will be the first by a Communist head of state to Jordan. (Unclassified)

Cyprus. The USSR reportedly has offered the services of 500 Soviet technicians for projects on Cyprus. (Unclassified)

Egypt. The Bulgarian foreign minister headed a delegation to the first session of the joint Egyptian-Bulgarian economic committee held in Cairo at the end of February. The two sides reviewed plans for expanded commercial relations and Bulgarian assistance to agricultural and food processing industries during Egypt's new five-year plan. Bulgaria has made available \$37 million in credits to Egypt, of which about \$7 million has been drawn. (Unclassified)

The Egyptian minister of trade arrived in Poland on 28 February to negotiate trade exchanges and Polish economic cooperation activities for 1975. (Unclassified)

Greece. In late February, Bulgaria and Greece concluded a trade-and-payments agreement covering 1975-79. A protocol for 1975, signed at the same time, envisions a doubling in exchanges over 1974. (Unclassified)

The Athens press reported in February that Greece will buy 1 million tons of crude oil from the USSR over an unspecified period. One-half of the oil will be paid for in Greek agricultural products and one-half in hard currency. At current Soviet prices the deal is valued at more than \$80 million. (Unclassified)

Iraq. Czechoslovakia is to provide technical assistance for geological exploration and hydrology to Iraq under a contract signed on 29 January. (Unclassified)

The Iraqi railroad authority signed a \$17 million agreement with an East German firm to install signaling equipment for the Baghdad-Umm Qasr railroad in southern Iraq. The project is to be completed in two years and probably comes under the \$84 million credit agreement between the two countries. (Unclassified)

Hungary was awarded a contract to supply \$9 million worth of electrical equipment to Iraq. The purchase may be financed under some \$80 million in outstanding Hungarian credits to Iraq. (Unclassified)

Pakistan. The USSR will import \$40 million of Pakistani products in the next year under a protocol signed in February. About \$10 million of this sum will be used to repay Soviet credits, while \$8 million will be used to settle a trade deficit incurred over the past two years. (Unclassified)

Sri Lanka. Colombo signed two aid contracts with China under a \$44 million credit agreement for construction of a plate glass plant and establishment of a fresh water fishery. (Unclassified)

Syria. On 24 February, the Soviet ambassador to Syria departed for consultations in Moscow following two meetings with Syrian Foreign Minister Khaddam. (For Official Use Only)

Military

Africa

Guinea. The USSR has agreed to install three petroleum storage tanks at a small Guinean naval base to be constructed on Tamara Island, off Conakry. The USSR will finance and supervise the building of the tanks in return for access rights at Tamara for its naval vessels. Clearing work on the Guinean base has already begun, but construction of the petroleum facilities probably will not begin before the end of the year. (Confidential)

Libya. A Soviet merchant ship reportedly delivered 130-mm antiaircraft guns, vehicles, and possibly some SA-2 missiles on 13 February. (Secret No Foreign Dissem)

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Zambia. [REDACTED] MI-8 helicopter was delivered to Zambia in January, the [REDACTED] MI-8s reportedly ordered last year. Moscow previously has provided about \$1 million worth of ground forces equipment, including armored personnel carriers, under a 1971 agreement. (Secret No Foreign Dissem)

Near East and South Asia

India. Poland's defense minister headed a delegation to India in mid-February, returning the visit of the Indian defense minister to Warsaw last year. Poland has concluded military agreements with India valued at \$44 million since mid-1971. Under the only outstanding pact between the two countries, the first of four Polnocny-class medium landing ships contracted for in 1973 is now en route to India. (Secret No Foreign Dissem)

25X1D

Sri Lanka. A delegation from Colombo was in Moscow recently to arrange the transfer of a naval training vessel to Sri Lanka. The USSR agreed to provide the ship, valued at \$11 million, as a gift last November. A Soviet team is expected to come to Sri Lanka to assist in the turnover. (Confidential)